



THE COMMONWEALTH OF MASSACHUSETTS
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SENT ELECTRONICALLY, BY FAX AND MAIL

December 14, 2001

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

RE: Western Massachusetts Electric Company, D.T.E. 01-101

Dear Secretary Cottrell:

On November 28, 2001 Western Massachusetts Electric Company ("WMECo" or "Company") filed a petition with the Massachusetts Department of Telecommunications and Energy ("Department") seeking approval of changes to a number of its rates effective January 1, 2002. In particular, the Company proposes to:

- decrease its standard offer service rate¹ by 33 percent (from \$0.07258 to \$0.04841);
- increase its transition charge rate by 154 percent (from \$0.00535 to \$0.01357);
- decrease its average transmission rate by 19 percent (from \$0.00444 to \$0.00361); and to
- implement the statutory decrease in its demand side management and renewable technology charges (from \$0.0027/kWh and \$0.00075/kWh to \$0.0025/kWh and \$0.00050/kWh, respectively).

The net effect of the proposed changes is a 16 percent decrease in the retail rates paid by WMECo's customers. Pursuant to the Department's December 6 Notice of Filing and Request for Comments, the Attorney General hereby files this letter as his Initial Comments on the

¹ The Company's proposed Standard Offer rate includes a "true-up" charge of \$0.00012 that is intended to recover a \$444,388 under recovery from 2000.

Company's filing.

COMMENTS

1. The Company's Transition Charge Currently Is Recovering Costs Over The Twelve Year Amortization Period.

In its November 28, 2001 filing, the Company requests a **154 percent increase** in its current transition charge. The Company maintains that its current transition charge rate of \$0.00535 provides for the recovery of all principal and interest costs associated with the Company's rate reduction bonds and does not result in any additional transition charge deferrals. November 28, 2001 Letter to Kevin Brannelly, p. 4. Nevertheless, the Company has requested a major increase in its transition charge. However, the Company has not provided any evidence that demonstrates that its transition cost recovery should be accelerated so dramatically. The Department should not allow this change without any evidentiary support.

2. The Department Should Investigate The Bill Impact Of The Proposal To Increase The Company's Transition Cost Charge

As discussed above, the Company provided no support for its proposed changes to its transition charge, nor has it filed an updated transition charge reconciliation. The Company's most recent transition charge reconciliation filing was provided on March 30, 2001 covering the calendar year 2000². Before any adjustment to the current charge is approved, the Department should determine the impact of the Company's proposal on the competitive market. While the Standard Offer fuel cost reductions reflected in the filings will reduce the bills of customers on Standard Offer service, the Company's proposed increase in transition costs will result in significant rate increases for competitive supply customers. The Company's filing does not address the bill impact of its proposal on competitive supply customers.³ The Attorney General requests that the Department review the impact on all customers, not just Standard Offer customers, prior to approving any increase in transition charges.

The transition charge rate is merely a mechanism to provide for the recovery of past uneconomic costs and does not provide any economic "price signal" for future behavior. Given the potential impact of the increases in the transition charge on the competitive market, the Attorney General also urges the Department to review the methodology used by WMECo to calculate these annual reconciliation filings as part of its review of the Company's filing. Furthermore, the Attorney General suggests the Department require the Company file a 2001 update and combine the review of 2001 and 2002 reconciliations.

² This filing was docketed as D.T.E. 01-36 but to date no order of notice has been issued nor a procedural schedule established. Even in this filing, the forecasted transition charge for 2002 is less than that requested in this filing, \$0.0078041/kWh. Exh. RAB-3, p. 1 of 13.

³ This increase will fall disproportionately on the commercial and industrial customers who have committed to a competitive supplier. Consideration of the interests of these customers is a especially necessary given current economic conditions.

3. The Department Should Investigate the Propriety of the Costs and Charges the Company Recovers Through its Standard Offer, Default Service and Transmission Charges

The Department also should incorporate in its this docket an investigation of the Company's standard offer, default service, and transmission costs and revenues. The Company's proposed Standard Offer rate, \$0.04841, includes an \$0.00012 charge to recover unrecovered 2000 Standard Offer costs. According to the supplied calculations the Company has included charges associated with qualifying facilities as well as a charge labeled "Final ISO-NE Adjustment" in the Standard Offer cost computations for 2000. Neither the Department nor any interested party has been given the opportunity to review the basis for these costs nor to assess the propriety of the Company recovering these costs through the Standard Offer charge. Until such time as the Department determines that these costs are just and reasonable and should be recovered through the Standard Offer charge, the Attorney General requests that the Department reject the proposed \$0.00012 Standard Offer reconciliation charge.

Other than a single page listing annual costs and revenues, WMECo has not provided any details supporting its proposed changes to its transmission rates. Again, as with the Standard Offer and transition charge changes the Department and other interested parties should be given the opportunity to review the underlying detail to determine that the costs are just, reasonable and recoverable. The Department should investigate the Company's transmission charges and, until such time as that investigation is completed, the Company should be required to eliminate its transmission rate adjustment and continue to recover only the base transmission charge

Finally, unlike other reconciliation filings made by the electric distribution companies, WMECo has not included any data related to its Default Service costs and revenues; nor has it requested any specific adjustment to rates for the recovery of any under or over collection of historical Default Service costs. The Department and other interested parties should have the opportunity to review the Company's costs on a comprehensive basis to determine not only the propriety of proposed rates; but also to determine that costs are recovered in an equitable manner from the Company's customers. The Department should require the Company to file witness testimony and supporting documentation for all rates that fully reconciling.

CONCLUSION

Before approving the Company's filing, the Department should review the bill impacts and basis of the proposed increase in transition charges and reject the Standard Offer and Transmission rate adjustments and open an investigation. "[T]he Department must ensure that the proposed reconciliations are consistent with or substantially comply with the Electric Utility Restructuring Act, Chapter 164 of the Acts of 1997 ("Act"), the company's approved restructuring plan, applicable law, and Department precedent." *Boston Edison Company*, D.T.E.

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98-111, p. 4 (October 19, 1999).

Respectfully,

Joseph W. Rogers
Division Chief, Utilities Division

cc: Stephen Klionsky, Esq.